

## Message Text

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PAGE 01 PEKING 01068 01 OF 03 051208Z

47

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 PA-01 SIL-01 USIA-06 PRS-01 SS-15 NSC-05

NSCE-00 STR-04 AGR-05 TRSE-00 SAJ-01 SAM-01 EUR-12

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LIMITED OFFICIAL USE SECTION 1 OF 3 PEKING 1068

E.O. 11652: N/A

TAGS: ETRD CH

SUBJECT: FINAL REPORT ON THE 1975 SPRING CANTON TRADE FAIR

REF: A. HONG KONG 5451; B. PEKING 812; C. HONG KONG 4409

SUMMARY: CHINA'S 37TH CANTON EXPORT COMMODITIES FAIR  
CLOSED MAY 15 WITH LEVELS OF ATTENDANCE AND TOTAL BUSI-  
NESS

BELOW EVEN THE DEPRESSED LEVELS OF THE PREVIOUS FAIR. FOR  
THE FIRST TIME SINCE FALL 1973, NCNA FAILED TO PUBLISH  
A FIGURE FOR OFFICIAL ATTENDANCE, WHICH MAY HAVE FALLEN  
TO 15,000 COMPARED WITH THE 25,000 FIGURE REPORTED BY  
THE NEWS AGENCY LAST FALL.

ON THE EXPORT SIDE, THE CHINESE SEEMED ANXIOUS TO  
SELL, PRICES WERE GENERALLY DOWN, AND THE PRC NEGOTIATORS  
WERE NOTICEABLY MORE WILLING THAN IN PREVIOUS YEARS TO  
ACCOMMODATE CUSTOMERS' NEEDS. NEVERTHELESS NO LARGE

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PAGE 02 PEKING 01068 01 OF 03 051208Z

INTERNATIONAL STOCKPILES AND LACK OF DEMAND IN JAPAN  
AND WESTERN EUROPE ADVERSELY AFFECTED CHINESE SALES IN

KEY AREAS. ON THE BUYING SIDE, THE CHINESE BENEFITED FROM LOW WORLD PRICES FOR CHEMICALS AND OTHER COMMODITIES, BUT CHINA'S FOREIGN EXCHANGE DIFFICULTIES KEPT NEW PURCHASES TO A MINIMUM.

THROUGHOUT THE FAIR, BUSINESS SEEMED HEAVIEST IN THE CHEMICALS AREA, BUT TEXTILES SHOWED THE BEGINNINGS OF A COMEBACK AND IN THIRD WORLD MARKETS, AT LEAST, LIGHT INDUSTRIAL PRODUCTS MAY HAVE DONE REASONABLY WELL. MINERALS ACTIVITY WAS DOWN FROM LAST FALL, AND FOODSTUFFS AND NATIVE PRODUCE DID NOT DO WELL. LITTLE ACTIVITY WAS NOTED IN MACHINERY, AND THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION DID NOT ATTEND THE FAIR.

AFTER A NEARLY DISASTROUS START, BUSINESS BEGAN TO PICK UP IN RESPONSE TO ATTRACTIVE PRC PRICE REDUCTIONS. BY THE END OF THE FAIR, TRADERS WERE TALKING WITH GUARDED OPTIMISM ABOUT BETTER PROSPECTS FOR PRC SALES NEXT FALL. IF SUCH A RECOVERY OCCURS, HOWEVER, IT WILL BE HEAVILY DEPENDENT ON ECONOMIC CONDITIONS IN WESTERN COUNTRIES. END SUMMARY.

1. ATTENDANCE: NCNA'S FAILURE (FOR THE FIRST TIME SINCE THE 1973 FALL FAIR) TO PUBLISH AN OFFICIAL ATTENDANCE FIGURE TENDED TO CONFIRM THE IMPRESSION OF MOST OBSERVERS THAT THE NUMBER OF VISITORS WAS WELL BELOW THE 25,000 CLAIMED FOR THE PREVIOUS FAIR. ON MAY 12 FAIR DEPUTY DIRECTOR WANG JUN-SHENG TOLD A BRITISH JOURNALIST GROUP THAT TOTAL ATTENDANCE AS OF THAT DATE WAS ONLY 14,100 TO 15,000 AND IT IS DOUBTFUL THAT THE FINAL FIGURE WAS MUCH HIGHER. WHILE ATTENDANCE BY THIRD WORLD TRADERS AND OVERSEAS CHINESE MAY HAVE EXCEEDED PREVIOUS FAIRS, THE NUMBER OF BUSINESSMEN FROM WESTERN EUROPE, CANADA AND AUSTRALIA WAS BELOW THE LEVEL OF THE FALL FAIR. JAPANESE ATTENDANCE REMAINED CONSTANT AT ABOUT 2,300 AND AMERICANS INCREASED FROM 340 TO 440, INCLUDING DEPENDENTS. THE FOLLOWING FIGURES (WITH 1974 FALL FAIR ESTIMATES IN PARENTHESIS) ARE INDICATIVE OF THE DECLINE IN ATTENDANCE  
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PAGE 03 PEKING 01068 01 OF 03 051208Z

FOR MOST WESTERN COUNTRIES: UK, 150 (165); ITALY, 110 (125); SWITZERLAND, 24 (60); NETHERLANDS, 60 (110); AUSTRIA, 5 (20); FRANCE, 60 (80); GERMANY 380 (410); CANADA, 60 (10); AND AUSTRALIA, 250 (380). ACCORDING TO A ZAMBIAN DIPLOMATIC REPRESENTATIVE, AT LEAST 150 AFRICANS ATTENDED THE FAIR, INCLUDING BUSINESSMEN FROM SYRIA (61), LIBYA (22); NIGERIA (20), EGYPT (11), ETHIOPIA (5) GUINEA (3), ALGERIA (2), SUDAN (9), AND

SOMALIA (2).

2. BUSINESS BY COUNTRIES: IN A REVIEW OF FAIR RESULTS MAY 14, FAIR DEPUTY SECRETARY GENERAL WANT YUNG-CHINE TOLD USLO OFFICERS THAT ALTHOUGH TRADE WITH WESTERN EUROPE AND JAPAN HAD DECLINED, CONTACTS AND BUSINESS WITH THIRD WORLD COUNTRIES, ESPECIALLY THE MIDDLE EAST, HAD INCREASED AND THE VALUE OF TOTAL TRANSACTIONS WAS "NOT LESS THAN PREVIOUS FAIRS." THIS VIEW WAS CHALLENGED, HOWEVER, BY MANY FOREIGN OBSERVERS WHO FELT THE TOTAL VALUE OF BUSINESS PROBABLY FAILED TO REACH EVEN THE DEPRESSED LEVELS OF LAST FALL. IT ALSO DIFFERED FROM FOREIGN TRADE MINISTER LI CHIAHWKS MAY 12 STATEMENT TO COMMERCE SECRETARY MORTON IN PEKING THAT OVERALL BUSINESS WAS "LESS GOOD" THAN AT PREVIOUS FAIRS. (PEKING 4 41).

3. FAIR REPORTS FROM COMMERCIAL REPRESENTATIVES OF 15 COUNTRIES, INCLUDING ALL MAJOR EUROPEAN TRADING PARTNERS, US, CANADA, AUSTRALIA AND JAPAN, SHOWED A GENERALLY LOW LEVEL IN THE VALUE OF BUSINESS TRANSACTED, BUT A MIX OF INCREASES AND DECLINES FOR INDIVIDUAL COUNTRIES IN COMPARISON WITH THE FALL FAIR. TRADE WITH JAPAN DECLINED FROM \$150 TO AN ESTIMATED \$130 MILLION, AS DID BUSINESS WITH UK, FRANCE AND ITALY, BUT TRADE WITH US, WEST GERMANY AND AUSTRALIA SHOWED AN INCREASE OVER THE FALL FAIR.

4. PRC EFFORTS TO BOOST TRADE WITH OVERSEAS CHINESE FROM SOUTHEAST ASIA MAY HAVE ALSO BROUGHT SOME IMPROVEMENT, BUT A VICE PRESIDENT OF THE PRO-PRC HONG KONG CHINESE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 04 PEKING 01068 01 OF 03 051208Z

CHAMBER OF COMMERCE TOLD A CONGEN OFFICER THAT BUSINESS WITH HONG KONG TRADERS WAS ABOUT THE SAME AS LAST FALL, WHEN BUYING BY HONG KONG DROPPED SHARPLY FROM PREVIOUS LEVELS.

5. OVERALL TRENDS: THE SPRING'S FAIR REFLECTED THE CURRENT DEPRESSED STATE OF THE WORLD'S ECONOMY, BUT ALSO A GENERAL HOPE FOR AN UPTURN IN ECONOMIC CONDITIONS THIS FALL. AFTER A NEARLY DISASTROUS START, BUSINESS BEGAN TO PICK UP IN RESPONSE TO ATTRACTIVE PRC PRICES. BY THE END, TRADERS WERE TALKING WITH GUARDED OPTIMISM ABOUT PROSPECTS FOR A BETTER FAIR NEXT FALL. THROUGHOUT THE FAIR, THE CHINESE APPEARED ANXIOUS TO SELL AND WERE MORE WILLING THAN IN PREVIOUS YEARS TO ACCOMMODATE CUSTOMERS' NEEDS. FOR THE FIRST TIME IN SEVERAL YEARS CONTRACTS WERE REGULARLY CONCLUDED IN FOREIGN CURRENCIES INCLUDING US DOLLARS, WHICH MEANT THE CHINESE WERE WILLING TO SHARE EXCHANGE RISKS TO FACILITATE SALES.

6. BUSINESS APPEARED HEAVIEST IN THE CHEMICAL AREA, BUT TEXTILES SHOWED THE BEGINNINGS OF A COMEBACK, AND IN THIRD WORLD MARKETS, AT LEAST, LIGHT INDUSTRIAL PRODUCTS MAY HAVE DONE REASONABLY WELL. MINERALS ACTIVITY WAS DOWN FROM LAST FALL, AND NATIVE PRODUCE DID DO WELL. LITTLE ACTIVITY WAS NOTED IN MACHINERY, AND ONCE AGAIN THE CHINA NATIONAL TECHNICAL IMPORT CORPORATION DID NOT ATTEND THE FAIR.

7. IN ONE PUZZLING REFERENCE NCNA MAY 15 REPORTED THAT CHINESE SMALL PLANTS WERE "PARTICULARLY WELCOMED BY THIRD WORLD COUNTRIES," BUT IT WAS NOT EVIDENT THAT REPRESENTATIVES FROM THE CHINA NATIONAL COMPLETE PLANT EXPORTS CORPORATION WERE PRESENT IN CANTON. CHINESE COMPLETE PLANTS ARE NORMALLY EXPORTED ONLY AGAINST ASSISTANCE AGREEMENTS AND IT IS DOUBTFUL SUCH BUSINESS WAS CONCLUDED IN CANTON.

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PAGE 01 PEKING 01068 02 OF 03 060334Z

12

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

NSAE-00 PA-01 SIL-01 USIA-06 PRS-01 SS-15 NSC-05

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LIMITED OFFICIAL USE SECTION 2 OF 3 PEKING 1068

8. BUSINESS BY CORPORATION. NOWHERE WAS THE CONTRADICTION

BETWEEN CURRENTLY DEPRESSED ECONOMIC CONDITIONS AND EXPECTATION FOR FUTURE RECOVERY CLEARER THAN IN BUSINESS DOWN WITH THE CHEMICALS CORPORATION AT THE FAIR. REALIZING THAT REDUCED WORLD DEMAND HAD RESULTED IN LARGE INTERNATIONAL STOCKPILES OF MOST CHEMICAL PRODUCTS, CHINESE NEGOTIATORS DROVE FOR ROCK-BOTTOM PRICES WHILE FOREIGN SELLERS CAUTIONED THAT CHEMICAL MARKETS WERE ALREADY BEGINNING TO REBOUND AND URGED THAT CHINESE TO BUY QUICKLY BEFORE PRICES FULLY RECOVERED. IN THE END THE CHINESE SEEMED TO HAVE WON MOST OF THE ARGUMENTS AND SEVERAL CHEMICAL TRADING COMPANIES MADE SIGNIFICANT SALES AT EXTREMELY LOW PRICES, UNDERCUTTING MANUFACTURERS WHO TRIED TO HOLD PRICES AT ESTABLISHED LEVELS

9. GERMAN CHEMICAL FIRMS REPORTED GOOD SALES IN PLASTICS, PLASTICS INTERMEDIATES, DETERGENTS, AND SYNTHETIC FIBERS. JAPANESE SALES TOTALED MORE THAN 12-13 BILLION YEN (\$40-43 MILLION) INCLUDING CAPROLACTAM (3,500 TONS), LIMITED OFFICIAL USE

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PAGE 02 PEKING 01068 02 OF 03 060334Z

ETHYLENE GLYCOL (4,000 TONS), VINYL CHLORIDE (4,000 TONS), AND PHTHALIC ANHYDRIDE (9,000 TONS). THE CHINESE ALSO PURCHASED LARGE AMOUNTS OF DYESTUFFS FROM WEST GERMAN AND SWISS FIRMS (\$1.8 MILLION) AT VERY LOW PRICES. THE QUALITY AND QUANTITY PURCHASED LED TO GERMAN SPECULATION THAT THE CHINESE MAY BE PLANNING TO RE-EXPORT SOME OF THE DYESTUFFS AFTER PRICES RECOVER LATER IN THE YEAR. AS PREVIOUSLY REPORTED (REF HK 5451), ONE US FIRM ALSO MADE A MAJOR SALE OF STPP AT A VERY LOW PRICE.

10 ON THE SELLING SIDE, THE CHINESE FOLLOWED THEIR TRADITIONAL PRICING POLICY OF STAYING SLIGHTLY ABOVE WORLD MARKET LEVELS, BUT BY THE FAIR'S END SELECTIVE PRICE BREAKS RESULTED IN SALES OF \$2.5 MILLION TO THE UK, \$300,000 TO SWITZERLAND, AND BUSINESS WITH OTHER EUROPEAN AND AUSTRALIAN CUSTOMERS ALTHOUGH WE HAVE NO ESTIMATE OF THE OVERALL TOTAL.

11. IN MINERALS AND METALS, PRC EARNING PROBABLY FELL BELOW THE LEVEL OF RECENT FAIRS DUE TO A SUBSTANTIAL DECLINE IN WORLD PRICES OVER THE PRECEDING MONTHS. ONE MINMETALS OFFICIAL SAID HIS CORPORATION HAD FULFILLED ITS FAIR QUOTA, BUT, IF SO, WE SUSPECT THE INITIAL TARGET WAS LOW, TO REFLECT MARKET CONDITIONS.

12. IN CHINA'S THREE MAJOR METALS, TIN, ANTIMONY AND TUNGSTEN ORE, USLO KNOWS OF US AND FRENCH PURCHASES TOTALLING AROUND \$26 MILLION, A FIGURE WHICH IS NOT HIGH COMPARED TO LAST FALL WHEN ONE US FIRM ALONE BOUGHT TIN WORTH OVER \$20 MILLION. OTHER MAJOR EUROPEAN (PAR-

TICULARLY UK) METALS TRADERS SAID THEY WERE UNABLE TO OBTAIN ALLOCATIONS OF TIN AND ANTIMONY, AND THE CHINESE INTIMATED THAT THIS WAS DUE TO LACK OF PRC SUPPLY. WHILE HEAVY SALES LAST FALL COULD HAVE DEPLETED MINMETALS STOCKS, IT IS ALSO POSSIBLE THAT THE PRC WAS HOLDING BACK AT THIS FAIR, HOPING FOR MORE FAVORABLE MARKET CONDITIONS IN THE FUTURE.

13. IN OTHER AREAS, US FIRMS BOUGHT A VARIETY OF PRODUCTS (HONG KONG 5451), AND WE KNOW OF PURCHASES OF BAUXITE AND CAUSTIC MAGNESTIE BY UK FIRMS. JAPANESE IMPORTERS LIMITED OFFICIAL USE

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PAGE 03 PEKING 01068 02 OF 03 060334Z

BOUGHT 30,000 TONS OF BOILER COAL AND 50,000 TONS OF SMOKELESS COAL, BUT A FAIR OFFICIAL SAID JAPANESE DEMAND FOR OTHER MINMETALS PRODUCTS HAD DECLINED.

14. ON THE BUYING SIDE, THE CHINESE BOUGHT SUBSTANTIAL AMOUNTS OF SPECIAL STEEL AND 50-60,000 MT OF IRON CONSTRUCTION REINFORCING BARS FROM JAPANESE FIRMS, BUT THE MAIN STEEL BUSINESS WITH JAPAN CONTINUED TO BE DONE OUTSIDE THE FAIR. A SALE OF \$500 MILLION WORTH OF STEEL WAS COMPLETED BY JAPANESE FIRMS IN TOKYO IN APRIL. (HONG KONG 5864) BRITISH FIRMS MADE SALES AT THE FAIR OF WIDE ROLLED STEEL, SILICONE SHEETS (BRITISH STEEL COMPANY) AND ALUMINUM INGOTS (BY GERALD METALS UK). CHINESE PURCHASED ALUMINUM FROM NORWEGIAN AND PROBABLY OTHER EUROPEAN SUPPLIERS.

15. AS HAS BEEN THE CASE AT RECENT FAIRS, GERMAN STEEL COMPANIES MADE ONLY SMALL SALES OF BOTH ORDINARY AND SPECIAL STEELS PLUS SOME STEEL TUBING. ACCORDING TO GERMAN SOURCES CONTACTED BY CONGEN OFFICERS IN HONG KONG, PRICES OFFERED BY JAPANESE FIRMS WERE WELL BELOW THOSE OF THEIR GERMAN COMPETITORS WHICH ACCOUNTED FOR THE POOR SHOWING OF THE EUROPEAN COMPANIES. THE FINNS SOLD \$1 MILLION OF ORDINARY STEEL AT THE FAIR, WHICH SWEDISH SALES OF STAINLESS STEEL WERE ALSO REPORTED GOOD.

15. IN TEXTILES, PRC SALES OF GREY GOODS AND OTHER COTTON PIECE GOODS SHOWED TENTATIVE SIGNS OF RECOVERY AFTER TWO POOR FAIRS, AND SOME OBSERVERS FELT THIS SPRING WITNESSED A BOTTOMING OUT OF THE SLUMP IN PRC TEXTILE EXPORTS. CHINATEX DEPUTY DELEGATION CHIEF WANT MING-SHENG SAID BUSINESS OVERALL WAS "MEDICORE," AND SALES TO EUROPE WERE POOR, BUT ADDED THAT HIS CORPORATION'S PERFORMANCE WAS BETTER THAN LAST YEAR.

16. WANG ALSO SAID SALES OF COTTON GOODS TO AFRICAN COUNTRIES HAD BEEN "GOOD," A STATEMENT LATER CONFIRMED

BY EUROPEAN TRADERS. SALES OF INDUSTRIAL GREY GOODS TO THE US IMPROVED AND JAPANESE FIRMS REPORTED TEXTILE PURCHASES. ATTENDANCE BY OVERSEAS CHINESE AND COMMENTS BY CHINESE OFFICIALS FURTHER SUGGESTED THAT SOUTHEAST LIMITED OFFICIAL USE

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PAGE 04 PEKING 01068 02 OF 03 060334Z

ASIAN MARKETS RECOVERED SOMEWHAT AT THIS FAIR.

17. ON THE MINUS SIDE, DEMAND FOR PRC TEXTILES FROM IMPORTANT BUYERS IN HONG KONG FAILED TO RECOVER FROM ITS LOW LEVEL OF LAST FALL. (BUSINESS MAY HAVE BEEN SLIGHTLY IMPROVED, HOWEVER, BY THE REPORTED SALE OF AT LEAST \$500,000 WORTH PR PRC MEDIUM GRADE RAW COTTON TO HONG KONG SPINNERS.) IN ADDITION CHINESE PRICE REDUCTIONS OF UP TO 50 PERCENT WERE NECESSARY TO ATTRACT FOREIGN BUYERS ALTHOUGH PRICES DID REBOUND BY AS MUCH AS TEN PERCENT IN SOME AREAS BY THE FAIR'S CLOSE.

18. PRC SALES OF RAW SILK AND SILK FABRIC FAILED TO RESPOND DESPITE PRICE CUTS OF 40 PERCENT FROM LAST FALL AND A RETURN OF ITALIAN IMPORTERS TO CANTON. JAPANESE PURCHASES OF RAW SILK WERE AGAIN PROHIBITED BY GOJ EMBARGO, BUT SOME SMALLER JAPANESE FIRMS DID PURCHASE SILK FABRICS. SALES OF RAW SILK WERE ALSO MADE TO SWISS (\$2 MILLION) AND FRENCH (\$8 MILLION) COMPANIES.

19. IN GARMENTS (WHICH NORMALLY ACCOUNT FOR ONLY A QUARTER OF TOTAL PRC TEXTILE EXPORTS) CHINESE SALES ALSO FAILED TO RECOVER FROM THE DEPRESSED LEVEL OF THE PREVIOUS FAIR. JAPANESE FIRMS BOUGHT LITTLE BECAUSE OF LARGE STOCKPILES PURCHASED AT HIGH PRICES IN 1973. DEMAND WAS ALSO SOFT FROM NORMALLY ACTIVE MARKETS IN EUROPE AND AUSTRALIA, BUT SOME SALES WERE MADE TO CANADA AND THE US.

20. ON THE IMPORT SIDE, FEW MAJOR PRC PURCHASES OF SYNTHETIC FIBERS OR OTHER FOREIGN TEXTILE PRODUCTS WERE REPORTED, THOUGH DUPONT SOLD POLYESTER WORTH \$2-3 MILLION.

21. LIKE CHINATEX, THE LIGHT INDUSTRY CORPORATION ALSO ENJOYED A RELATIVELY GOOD FAIR IN TERMS OF INITIAL LOW EXPECTATIONS. THE LARGE INFLUX OF OVERSEAS CHINESE BUSINESSMEN IN THE FAIR'S OPENING WEEK APPEARED TO BE PRODUCING GOOD SALES IN ARTS AND CRAFTS, PARTICULARLY IN IVORY, JADE, STONE CARVINGS AND OTHER HIGH-VALUE ITEMS. CONSUMER ITEMS ALSO SOLD REASONABLY WELL TO THESE MERCHANTS AND OTHER CUSTOMERS FROM THE THIRD WORLD ESPECIALLY THE LIMITED OFFICIAL USE

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PAGE 05 PEKING 01068 02 OF 03 060334Z

MIDDLE EAST. OVERALL, HOWEVER, IT WAS NOT A BANNER FAIR FOR LIGHT INDUSTRY. PRICE CUTS WERE REQUIRED TO ATTRACT BUYER INTEREST AND OVERALL EARNINGS SUFFERED AS A RESULT. IN ADDITION, LIGHT INDUSTRY DELEGATION CHIEF YU TUN-HUA TOLD A BRITISH DIPLOMAT THAT DEMAND FROM JAPANESE BUSINESSMEN AT THE FAIR WAS POOR AND THAT BUSINESS WAS ALSO NOT GOOD WITH WESTERN EUROPE.

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PAGE 01 PEKING 01068 03 OF 03 051204Z

47

ACTION EA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-07 INR-07 LAB-04

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LIMITED OFFICIAL USE SECTION 3 OF 3 PEKING 1068

22. ON THE SELLING SIDE, A NUMBER OF EUROPEAN, CANADIAN, U.S. AND JAPANESE PULP AND PAPER MANUFACTURERS WERE INVITED TO THE FAIR, WHERE THEY ENGAGED IN INTENSIVE COMPETITION FOR PRC BUSINESS. CAPITALIZING ON LARGE FOREIGN STOCKPILES OF PULP, CHINESE NEGOTIATORS FORCED PRICES DOWN TO EXTREMELY LOW LEVELS AT WHICH SOME COMPANIES GAVE UP WHILE OTHER SOLD AT PERHAPS 40 TO 50 PERCENT BELOW NORMAL MARKET LEVELS. (MEAD PACKAGING COMPANY OF THE U.S. SOLD \$3 MILLION WORTH OF PULP AT A "MARGINAL"



PRICE.) IN LINER BOARD, JAPANESE SOURCES SAID THEY FAILED TO MAKE SUBSTANTIAL SALES BECAUSE OF LARGE CHINESE STOCKPILES OF PACKAGING MATERIALS RESULTING FROM A DECLINE IN PRC EXPORTS.

23. FOR THE SECOND CONSECUTIVE FAIR, SALES OF CHINA'S CEREALS, OILS AND FOODSTUFFS CORPORATION SUFFERED FROM LOW DEMAND FROM WESTERN EUROPE AND DECLINING WORLD PRICES FOR MANY FOOD COMMODITIES. COMMENTING ON THIS SITUATION, A REPRESENTATIVE OF DENMARK'S EAST ASIATIC LIMITED OFFICIAL USE  
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PAGE 02 PEKING 01068 03 OF 03 051204Z

COMPANY SAID THE PRC SEEMED TO BE WITHHOLDING SUPPLIES IN SEVERAL IMPORTANT FOOD CATEGORIES IN HOPES THAT PRICES WOULD REBOUND BY NEXT FALL. THE MAJOR EXCEPTION TO THIS WAS RICE, WHERE THE CHINESE OFFERED SUBSTANTIAL QUANTITIES, BUT FAILED ATTRACT BUYERS DUE TO CURRENT MARKET CONDITIONS.

24. IN BUSINESS, WITH OTHER AREAS, SALES OF CHINESE SPECIAL FOOD TO IMPORTANT MARKETS IN SOUTHEAST ASIA MAY HAVE GONE REASONABLY WELL AND SOME IMPORTANT BUSINESS WAS CONCLUDED WITH COMPANIES FROM JAPAN. IN THE IMPORTANT AREA OF MARINE PRODUCTS, JAPANESE BUYERS TOOK 1,800 MT OF FROZEN SHRIMP, BUT FOUND LIMITED AVAILABILITIES, ESPECIALLY IN TOP GRADES. THEY ALSO PURCHASED 1,000 MT OF FISH AND 2,000 MT OF OTHER SHELLFISH. JAPANESE PAID HIGH CHINESE PRICES FOR 30,000 MT OF SOYBEANS (\$14 MILLION) AND PURCHASED RED BEANS (3,000 MT), BUCKWHEAT (2,000 MT) AND FROZEN RABBIT (1,000 MT).

25. PRC FROZEN RABBIT ALSO CONTINUED TO FIND A MARKET IN WESTERN EUROPE WITH UK BUYERS TAKING 900 MT AND FRENCH FIRMS PLACING ORDERS WORTH \$3.5 MILLION. THE FRENCH ALSO BOUGHT \$30 MILLION WORTH OF PORK, AND BUSINESSMEN FROM BOTH COUNTRIES PURCHASED PEAS, BEANS AND CANNED FOODS. SALES OF FOODSTUFFS TO SWISS BUYERS AT THE FAIR TOTALED \$4.5 MILLION.

26. BUSINESS WITH THE MACHINERY CORPORATION CLEARLY REFLECTED CHINA'S CURRENT SHORTAGE OF FOREIGN EXCHANGE AND THE COUNTRY'S INABILITY TO MAKE MORE THAN LIMITED TYPES AND NUMBERS OF MACHINES AVAILABLE FOR EXPORT. MACHIMPEX DISCUSSION ROOMS WERE EMPTY FOR MOST OF THE FAIR, PARTICULARLY IN THE IMPORT SECTION, AS THE CHINESE CONTINUED TO SHOW LITTLE IMMEDIATE INTEREST IN MAKING NEW PURCHASES. NONETHELESS, A NUMBER OF U.S. AND WESTERN EUROPEAN MANUFACTURERS DID MAKE INTRODUCTORY PRESENTATIONS OF THEIR EQUIPMENT. NCNA SAID THAT HAND TOOLS AND OTHER IMPLEMENTS SOLD WELL TO THE THIRD WORLD,

AND SOME MACHINERY CONTRACTS WERE ALSO SIGNED WITH  
WESTERN COUNTRIES. MACHINERY EXHIBITED WAS MUCH THE SAME  
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PAGE 03 PEKING 01068 03 OF 03 051204Z

AS LAST FALL, WITH THE EXCEPTION OF TWO HEAVY-DUTY  
EARTH MOVING VEHICLES, A NEW TRUCK (AT LEAST IN BODY  
STYLING) FROM HANGCHOW, AND SOME DIGITAL CONTROL  
MACHINE TOOLS SHOWN FOR THE FIRST TIME.

27 AMONG DEALS KNOWN TO HAVE BEEN CONCLUDED AT THE  
FAIR, JAPANESE FIRMS SOLD MORE THAN 200 SMALL TRUCKS AND  
MINI-BUSES. RANK XEROX OF THE U.K. SOLD MACHINES WORTH  
\$4.2 MILLION, AND OTTO WOLFE, A GERMAN TRADING FIRM,  
CONCLUDED SOME MACHINE TOOL SALES AFTER FAILING TO DO SO  
FOR TWO STRAIGHT FAIRS.

28. WHILE OTHER CORPORATIONS CERTAINLY HAD DIFFICULTIES,  
THE EMPTIEST DISCUSSION ROOMS AND SADDEST NEGOTIATORS  
WERE FOUND IN THE NATIVE PRODUCE AND ANIMAL BY-PRODUCTS  
SECTION OF THE FAIR. HERE AGAIN A COMBINATION OF LACK  
OF DEMAND FROM JAPAN AND WESTERN EUROPE AND FALLING  
WORLD MARKETS CREATED AN EXTREMELY DIFFICULT SITUATION  
FOR THE CHINESE. AS THE FAIR CLOSED CORPORATION OFFICIALS  
ADMITTED TO USLO OFFICERS THAT THEY HAD FAILED TO LOWER  
PRICES ON A NUMBER OF PRODUCTS SUFFICIENTLY TO MEET  
WORLD MARKET LEVELS. IN ADDITION BUSINESS IN SEVERAL  
IMPORTANT PRODUCTS SUCH AS TOBACCO IS DONE IN THE FALL  
AND THIS FURTHER REDUCED THE SPRING FAIR TURNOVER. PRIOR  
TO THE FAIR, NATIVE PRODUCE HELD MINI-FAIRS FOR CARPETS  
(TIENTSIN), FOREST PRODUCTS (CANTON), AND FURS (PEKING),  
BUT OFFICIALS GAVE NO INDICATION THAT SALES AT THESE  
SHOWS HAD COMPENSATED FOR THE CORPORATIONS POOR RESULTS  
THIS SPRING.

29. COCLUSIONS. BY THE END OF 1974, THE RESULTS OF  
CHINA'S POOR SALES PERFORMANCE AT LAST YEAR'S TWO CANTON  
FAIRS ALREADY SHOWED IN A MARKED REDUCTION IN THE GROWTH  
RATE OF PRC EXPORTS AT A TIME WHEN PRC IMPORT COSTS  
WERE SOARING. THE 1974 TRADE DEFICIT HAS LED TO  
CANCELLATIONS OF CONTRACTS FOR AGRICULTURAL PRODUCTS AND  
VARIOUS PRC EFFORTS TO FINANCE FERTILIZERS, STEEL AND  
OTHER ESSENTIAL IMPORTS THROUGH CREDIT. THIS DEFICIT  
APPEARS TO BE CONTINUING THROUGH THE FIRST HALF OF  
1975 AND WILL NOT BE IMPROVED BY THE RESULTS OF THIS SPRING'S  
FAIR IN CANTON.

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PAGE 04 PEKING 01068 03 OF 03 051204Z

30. WHILE THE FAIR PROBABLY WITNESSED SOME FURTHER DECLINE IN PRC SALES, WE BELIEVE THAT TOTAL SALES WERE NOT FAR BELOW THOSE OF LAST FALL AND THE SITUATION MAY NOW HAVE STABILIZED. IN THE VIEW OF MANY OBSERVERS, THE SPRING FAIR WAS, IN THE END, A "SATISFACTORY DISAPPOINTMENT," A BOTTOMING OUT WHICH PROBABLY FORESHADOWS IMPROVED PRC SALES NEXT FALL. SUCH PREDICTIONS, HOWEVER, WERE BASED ON THE ASSUMPTION THAT THE CHINESE WOULD CONTINUE TO FOLLOW A REASONABLE PRICING POLICY AND THE ACCOMMODATING ATTITUDE TOWARD CUSTOMERS SHOWN AT THIS FAIR. EVEN IF THESE PREDICTIONS ARE TRUE, HOWEVER, THE RATE OF RECOVERY WILL BE SLOW AND HIGHLY DEPENDENT UPON ECONOMIC CONDITIONS IN JAPAN AND WESTERN EUROPE WHICH ARE BEYOND CHINESE CONTROL.

31. ON THE BUYING SIDE, THE CHINESE TOOK ADVANTAGE OF LOW WORLD PRICES TO PURCHASE LARGE STOCKS OF CERTAIN NEEDED RAW MATERIALS, ESPECIALLY CHEMICALS AND PULP, AT BARGAIN PRICES. THE LOW OVERALL LEVEL OF PRC PURCHASES, HOWEVER, SIGNIFIED A CONTINUATION OF CHINA'S AUSTERITY PROGRAM IN IMPORTS.

32. PORTIONS OF THIS REPORT, PARTICULARLY THOSE CONCERNING HONG KONG, JAPAN AND WEST GERMANY, ARE BASED ON INFORMATION COLLECTED BY HONG KONG CONGEN COMMERCIAL/ECONOMIC OFFICERS.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, TRADE PROMOTION, TRADE FAIRS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** johnsorg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975PEKING01068  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750197-0729  
**From:** PEKING  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750677/aaaacsrp.tel  
**Line Count:** 573  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 11  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 HONG KONG 5451, 75 PEKING 812, 75 HONG KONG 4409  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** johnsorg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 10 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <10 JUL 2003 by ShawDG>; APPROVED <17 NOV 2003 by johnsorg>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FINAL REPORT ON THE 1975 SPRING CANTON TRADE FAIR  
**TAGS:** ETRD, CH  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006